

# Debate on Tax on High Sugar Products in Moroccan Parliament

The excise tax (Domestic Consumption Tax, DCT) on high industrialized sugar products containing sugar was at the center of a debate on March 3, 2022, in the parliament, was organized jointly by the Finance and Economic Development Committee in the House of Representatives and the Finance, Planning and Economic Development Committee in the House of Councillors.



This meeting, took place in the presence in particular of the Minister of the Budget, Fouzi Lekjaa, the Director General of Customs and taxes and other representatives from other ministerial departments, as well as representatives from the agri-food industry. It's part of the government's commitment in the 2022 finance law, and the recurring proposal of a set of amendments to extend the tax scope (applied to Sugar-sweetened Beverages since 2018) to other products containing sugar such as biscuits, chocolates, dairy products, ice cream, etc., in order to preserving the health of citizens and returning part of the subsidy intended for vulnerable population.

On this occasion, Mr. Lekjaa noted that over the last five years, the sugar subsidy was 3.4 billion dirhams (MMDH) for an average annual consumption of 1.2 million tonnes, of which 25% is intended for 'food industry.

He also reviewed the historical turning points experienced by the DCT and the restitution of the sugar subsidy, in particular through the application in 2020 of a progressive taxation on non-alcoholic beverages proportional to the amount of added sugar (Finance Law No. 70-19 for the 2020 financial year).

In this context, Mr. Lekjaa called for a convergence towards a consensus around solutions able to guarantee the balance between the preservation of the health of citizens and the competitiveness of Moroccan industrial companies, noting that it will be necessary, thus, improve the legal framework to develop mandatory standards that define the maximum amount of sugar according to the nature of the product.

For their part, the two presidents of the Finance and Economic Development Committee of the two Parliamentary Chambers, indicated that the two committees meet with different ministerial departments, in particular those responsible for industry, finance, and health to discuss the possibilities of extending this tax to certain products containing sugar apart from beverages. This is therefore an opportunity to discuss the application of this new tax, taking into account the resilience of the Moroccan industrial sector and the general state of the Moroccan health system.

At this important meeting attended by the Moroccan League for the Fight against Diabetes and its partners, Prof. Jamal Belkhadir President of the Moroccan League for the Fight against Diabetes recalled the very high prevalence of diabetes (10.6% of the population over 20 years old) and obesity (53% of the population is overweight with 1 in 5 children aged 6 to 12 being overweight) in our country. He also underlined the excessive cost of these diseases and their cardiovascular and renal complications in particular and recalled the effectiveness of sugar taxation measures in the fight against these scourges. The adoption by the Moroccan parliament, in December 2018, of the taxation of sugary drinks within the framework of the 2019 Finance Law, was a historic decision and an important step in the fight against the epidemic of diabetes, obesity and cardiovascular diseases in our country, in particular through reducing the consumption of sugary drinks (1).

Indeed, Morocco developed a multisectoral strategy to tackle obesity and non-communicable diseases, of which tax measures are an important point. The imposition of products containing sugar, salt or trans fatty acids was a recommendation of the 26<sup>th</sup> session of the UN Human Rights Council in April 2014 (2) and the 2015 WHO report (3).

While it is currently proven that a high tax on sugary products, with a reduction in sugar consumption, has been very effective in reducing the burden of obesity and diabetes, the impact of this measure has remained insufficient compared to other countries which have generalized this tax to all products containing large quantities of sugar. It is therefore important to extend the tax on sugary drinks to all products containing a significant amount of sugar (biscuits, sweetened milk products, chocolates, etc.) and to pay the resulting revenue into the budgets allocated to the health, physical activity and healthy lifestyle measures.

In addition, the Covid-19 pandemic, which particularly affects vulnerable people, has served as a reminder of the importance of investing in health. Over the past two years, the COVID-19 pandemic has hospitalized and claimed the lives of people with diabetes

and obesity disproportionately, highlighting the high risk of contracting severe forms of COVID- 19, in people living with these diseases.



On the other hand, the intervention of the representatives of the food industry wanted to minimize the role of taxation in the fight against the scourge of obesity in Morocco and that it jeopardized the competitiveness of the sector compared to imported products and that the taxes will rather encourage black markets and will have harmful economic consequences (bankruptcies of companies) and social consequences (dismissals of employees and loss of indirect jobs).

During the debate, most of the deputies of the opposition as well as of the government majority (Dr M. Brahimi, Mr H. El Mhajri, Dr A. Mhadi, etc.) emphasized the importance of the behavioral tax on products sugar to preserve public health and to prevent obesity, particularly among children, young people and poor populations, as international benchmarking clearly proves. Unfortunately, the study presented by the food industry did not meet scientific criteria and is marred by conflicts of interest.

In addition, the parliamentarians raised the issue of subsidies from the sugar compensation fund used in the sugary drinks and other sugary products industry...., subsidies which should preferably be deployed for the benefit of the care of the poor, promoting physical activity and healthy eating (vegetables and fruits).

On the other hand, the Moroccan Parliament within the framework of the 2022 finance law has just adopted a drastic reduction of more than 93% of customs duties which have fallen from 40% to 2.5% for the import of raw materials of all diabetes medications. This historic decision, not only for the development of the pharmaceutical industry in our country, but also an important step in the fight against the epidemic of diabetes and its complications for all people with diabetes.

By this amendment of the finance bill 2022, Morocco, within the framework of the General Health Reform project and the generalization of universal medical coverage, adds a stone to the building of the diabetic care pathway. Thus, Morocco is a pioneer in the "Africa" region and in the "MENA" region with regard to the reduction of more than 93% of Customs duties for the import of raw materials for hypoglycemic drugs for diabetes. This major acquisition is in addition to the soda tax previously adopted for the prevention of obesity and diabetes.

For his part, the Director General of Customs has proposed setting standards for agri-food products concerning sugar concentrations.

Another meeting is planned to prepare the draft of the finance law 2023 in relation to this question, specified the Minister of the budget to conclude.

The Moroccan League for the Fight against Diabetes and its partners who participated in this important meeting on the extension of the tax to industrial products containing sugar are pleased with the quality of the debates and the recommendations adopted.

**[1] Taxation of Beverages and Sweetened Products in Morocco: A Major Achievement and a Model to Follow In the Mena Region.**

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**[2] Report of the Special Rapporteur on the right of everyone to the enjoyment of the highest attainable standard of physical and mental health, Anand Grover. A/HRC/26/31 (2014):** <https://digitallibrary.un.org/record/771865?ln=fr>

**[3] World Health Organization (WHO), *Global Status Report on Non-Communicable Diseases* (2014):** <https://www.who.int/nmh/publications/ncd-status-report-2014/en/>